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4 UNITED STATES DISTRICT COURT  
5 WESTERN DISTRICT OF WASHINGTON  
6 AT TACOMA

7 WILLIAM T. WHITMAN, individually and on  
8 behalf of all others similarly situated,

9 Plaintiff,

10 v.

11 STATE FARM LIFE INSURANCE COMPANY,  
12 an Illinois corporation

13 Defendant.  
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No. 3:19-cv-06025-BJR

DECLARATION OF NANCY PIPINICH

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28 DECLARATION OF NANCY PIPINICH  
No. 3:19-cv-06025-BJR

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BETTS, PATTERSON & MINES, P.S.  
One Convention Place, Suite 1400  
701 Pike Street  
Seattle, WA 98101-3927

1 I, Nancy Pipinich, have personal knowledge of the information below and declare as follows:

2 1. I am an independent contractor agent for State Farm Life Insurance Company ("State  
3 Farm Life") in Washington.

4 2. I am not an employee of State Farm.

5 3. As an independent contractor agent for State Farm, I provide information to potential  
6 policyholders on the many products State Farm offers that help people manage the risks of everyday  
7 life and recover from the unexpected so that potential policyholders can select the products of their  
8 choice. I provide information about insurance, the risks that make it necessary, how to protect  
9 individuals and their property from those risks, and how to help individuals achieve important goals  
10 for themselves and their families.

11 4. I am licensed to market, solicit, and service insurance in Washington. I have been an  
12 independent contractor agent for State Farm since 1991.

13 5. I understand that this lawsuit involves claims against State Farm Life relating to the  
14 Universal Life insurance policy issued on Form 94030, which was sold in Washington between 1994  
15 and 2004 ("the Policy" or "Universal Life").

16 6. I purchased a Policy when it was first sold in Washington, in January 1994, and I still  
17 own that Policy today. I have personally taken advantage of the flexibility built into the Policy. That  
18 flexibility includes increasing and decreasing my monthly contributions, borrowing money from my  
19 policy and later repaying it, adding death benefit to my contract, and altering the payout method that  
20 is available under this policy.

21 7. My office is located in Bothell, Washington. Bothell is considered part of the high-  
22 tech corridor, with such businesses as Microsoft and Amazon. It is also home to AT&T, Boeing,  
23 Lockheed Martin, and Emulex. The policyholders in this area are accordingly a large mix of  
24 analytical, detail-focused individuals (such as engineers), and less-detail oriented, "big picture"-  
25 focused individuals. Many policyholders in this area also have extensive post-secondary education.

26 8. The Universal Life product is very flexible. One of the flexibilities is being able to  
27 modify premium contributions. Because of this flexibility, universal life policies require maintenance

1 by the policyholder. Upon request, State Farm Life can periodically run re-proposals for the  
2 policyholders to help them evaluate whether or not their policy is on track for meeting their personal  
3 goals. The policyholders may at that time opt to change their funding of the policy. An example would  
4 be a Boeing employee who is historically subject to recurring unpaid downtime during their contract  
5 negotiations. Boeing employees anticipate these periods of unemployment, so an option would be to  
6 overfund their universal life policy while they have income and either suspend their monthly  
7 contributions or even borrow money from their account value during those layoff periods.

8 9. Many potential policyholders have little to no prior experience with life insurance.  
9 There are many products to choose from. For that reason, life insurance presentations are most  
10 effective with a higher-level product overview.

11 10. When the potential policyholder expresses interest in the flexibility of the universal life  
12 policy, I describe how the product is funded with a sketch. I draw a beaker. I then explain that every  
13 month, the policyholder will contribute a premium payment into that beaker (drawing an arrow and a  
14 \$ sign). A policy fee will be deducted from that contribution (I draw "-PF"). The contribution goes  
15 into the beaker and accumulates. This accumulation is referred to as account value. I explain that as  
16 the policyholder makes contributions, money accumulates in the account value with a minimum rate  
17 of return of 4%. Next, I draw a spigot on the beaker and explain that every month, State Farm deducts  
18 money to cover the cost of the policy, including the cost of insurance based on the insured's age at the  
19 time, sex, and rate class, and an expense charge. As the insured person ages, the cost of insurance  
20 increases, and the values will flow out of the spigot faster and faster. The level of funding should be  
21 monitored regularly to make sure there is enough cash accumulation to cover the increasing costs.

22 11. It is my practice to be very forthcoming and open about the fees associated with the  
23 Policy. I explain that with any financial product, there are fees associated with the product to pay for  
24 the costs of the policy. I also explain that the fees and costs of the universal life policy are higher  
25 because the policy offers flexibility (which requires additional administrative maintenance by State  
26 Farm). I inform potential policyholders that every month, State Farm Life will deduct the cost of  
27 insurance charge to cover the ongoing costs of the policy, which includes the costs of mortality and



1 expenses. In my experience, the policyholders do not express interest about how those costs are broken  
2 out into the various deductions from the policy. They just wanted to know what the bottom line costs  
3 would be.

4 12. It is my practice to explain that there are guaranteed and non-guaranteed cost of  
5 insurance rates. I use the State Farm Life provided illustration materials to show potential  
6 policyholders how the Policy would likely perform over time. I explain to policyholders that the  
7 guaranteed column of the illustration shows the highest possible cost of insurance with the lowest  
8 possible interest rate. I then note that State Farm Life is not currently charging the highest possible  
9 cost of insurance allowable under the policy, nor have I ever known State Farm Life to do so.

10 13. Part of my conversation is to prepare the potential policyholder for the underwriting  
11 process. This is the process of evaluating the health and risk characteristics of the insured before  
12 assigning a final rate class.

13 14. Because I have always been transparent about policy costs, I have seldom had  
14 additional questions or pushback about costs and fees. The few times that there have been inquiries,  
15 I have printed out State Farm Life proposals and illustrations, and I have offered to pose any questions  
16 that can't be answered with these materials to the State Farm Life corporate office. In my experience,  
17 State Farm Life has always made sure to provide policyholders with the answer to any questions posed.  
18 However, I have never talked with a policyholder who was not satisfied with the answers provided by  
19 my agency using State Farm Life materials.

20 15. In the end, however, most policyholders, in my experience, did not ask these details.  
21 The policyholders chose the policy due to 1) State Farm's financial strength; 2) the death benefit that  
22 would be provided to the people they love in the event of their passing; and 3) the living benefits  
23 (account value) of a product such as universal life.

24 16. State Farm's financial strength is a selling point to many potential policyholders. I  
25 explain that State Farm Life Insurance Company is an industry leader, with assets of over a billion  
26 dollars and the ability to pay out the death benefit of its policyholders. In fact, one of the selling points  
27 has always been State Farm Life's reputation as paying for these death benefits faster than State Farm's

1 competitors. The policyholders understand that there are administrative costs inherent in the cost of  
2 the policy. The details of precisely what and how those expenses are deducted, beyond the explanation  
3 given above, has never been a point of question or concern.

4 I declare under the penalty of perjury under the laws of the United States of America that the  
5 foregoing is true and correct.

6 Executed this 29th day of March, 2021 in Bothell, Washington.

7   
8 Nancy R. Pipinich